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DEPARTMENT FOR EB/TRA/OTP -- BIRIGITTA MATTINGLEY
DEPARTMENT PASS TO DOT AND FAA

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SUBJECT: GHANA AIRWAYS HAS NEW AMERICAN PARTNER

1. (SBU) SUMMARY: The GoG appears to have made a bold move to save Ghana Airways. Minister of Roads and Transport Richard Anane told EconOffs the GoG will sell a portion of Ghana Airways to a group of American investors headed by SkyWest founder and board member Ralph Atkin, known as Ghana International Airways (GIA). The Minister did not address the future of the airlines oft criticized employees. Ghana International Airways claimed a week ago that all employees would have to be sacked as a pre-condition of the deal. END SUMMARY.

2. (SBU) EconChief and Econoff spoke with Roads and Transport Minister Anane about the conflicting stories surrounding a deal between GIA and the GoG for Ghana Airways. According to the Minister, GIA officials, including SkyWest founder Ralph Atkin met with President Kufuor and his cabinet Saturday, August 21, to hammer out a deal. The Minister confirmed that local media reports of a deal were accurate. The details outlined in the press reports track almost word-for-word with what a GIA representative told Econoff last week.

3. (U) According to all sources GIA will hold a 30 percent stake in the new Ghana Airways while the GoG retains 70 percent. The Minister stated that GIA would be given a "free hand" to operate the airline for 90 days. To affect this the GoG will assume the airline's 162-million-dollar debt and not intervene in the management of the company for 90 days. GIA is expected to reorganize and lease new equipment during that time. To cover operating costs during this time of "exclusivity" GIA and the GoG will put up USD 2.1 and USD 4.9 million in cash, or 30 and 70 percent of USD 7 million, respectively.

4. (SBU) At the end of 90 days GIA is expected to inject an additional USD 55 million into the airline. The report makes no mention of any additional investment by the GoG. However, GIA's representative said that the GoG would contribute about the same amount at the end of 90 days.

5. (SBU) Ghana International Airways' representative was emphatic that GIA would maintain full control as the GoG's interest in the company is reduced to 10 percent of total shares over the next five years. The media and the Minister, however, were silent on this issue, although the Minister agreed the GoG's long term plan was to float its shares on the Ghana Stock Exchange.

6. (SBU) Last week GIA's primary concern (aside from the outstanding debt) was the current 1700-person workforce. Ghana International Airways indicated there would be no deal if the GoG did not fire every employee. The Minister claims that some cuts will be made before GIA takes over to "show good faith" and prevent GIA from "looking like the bad guy". He did not, however, indicate that the cuts would be drastic. It is unlikely that GIA would have dropped this position completely since it was a cornerstone of its plan to move forward with nothing more than Ghana Airways' name and some exclusive routes.

6. (SBU) The big question is this: Who controls Ghana Airways at the end of 90 days? Time and again Ghana Airways' problems have been blamed on political meddling and outright cronyism, with good reason. The GoG has proved repeatedly over the last few years that it is incapable or unwilling to undertake the necessary but politically difficult steps to restructure Ghana Airways. GIA has no intention of entering any deal that allows any such interference, but whether they can come up with an agreement that will keep those with political interests at bay remains to be seen. In terms of attracting passengers, reliable, safe service may be no substitute for the super-sized luggage allowances and back-door freebies that Ghana Airways has provided for personal and political friends. West Africa's only direct routes to the U.S. are a prize that will be cumbersome if it brings the rest of Ghana Airways' considerable baggage. YATES